

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 MMO-04 AGRE-00 /095 W

-----031256Z 053039 /45

R 030922Z JUN 77

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3827

US TREASURY WASHDC

INFO AMCONSUL BOMBAY

AMCONSUL MADRAS

AMCONSUL CALCUTTA

UNCLAS NEW DELHI 7923

TREASURY FOR HOOPEN GARDNER

E.O. 11652: N/A

TAGS: ECRP EFIN IN

SUBJECT: CERP 0102 - INDIA'S BALANCE OF PAYMENTS, IFY 1975-76,
1976-77, 1977-78

REF: NEW DELHI 7281

1. THE FOLLOWING ARE BALANCE OF PAYMENTS FIGURES FOR 1975-76,
ESTIMATES FOR 1976-77 AND PROJECTIONS FOR 1977-78. TRADE DATA
IN INDIAN RUPEES CONVERTED AT RS. 8.65 (1975-76), RS. 9.00
(1976-77) AND RS. 8.80 (1977-78) TO THE DOLLAR. ALL FIGURES
ARE IN MILLION DOLLARS.

	1975-76	1976-77	1977-78
		(ESTIMATE)	(PROJECTED)

EXPORTS, FOB	4,558	5,550	6,470
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1. ENGINEERING GOODS	463	611	710
2. COTTON TEXTILES	392	556	650
3. LEATHER	221	348	450
4. TEA	274	300	510
5. IRON ORE	247	277	340
6. SUGAR	549	206	205

7. IRON AND STEEL	127	350	450	
IMPORTS, CIF	5,963	5,600	6,700	
OF WHICH				
1. POL	1,417	1,542	1,815	
2. MACHINERY AND TRANSPORT EQUIPMENT	1,019	1,020	1,350	
3. FOODGRAINS	1,532	937	65	
4. FERTILIZERS	536	244	240	
5. COTTON AND SYNTHETIC FIBERS	40	200	500	
6. EDIBLE OILS	17	160	450	
TRADE BALANCE	-1,405	-50	-230	
GROSS AID	2,326	2,053	2,000	
DEBT SERVICE	-766	-841	-860	
MISCELLANEOUS CAPITAL AND INVISIBLE (NET)A)	452	708	455	
REMITTANCES	(870)	(1,800)	(1,400)	
OVERALL BALANCE	607	1,870	1,365	

FINANCED BY:

IMF CREDITS	187	-336	-471	
CHANGE IN RESERVES (-INCREASE)	-794	-1,534	-894	

GROSS FOREIGN EXCHANGE RESERVES 2,172 3,706 4,600
 AT END OF PERIOD
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A) INCLUDES ERRORS AND OMISSIONS.

2. ESTIMATES FOR 1976-77

EXPORTS BY MAJOR CATEGORIES SHOWN IN THE ABOVE TABLE ARE ACTUAL FIGURES OBTAINED FROM INDIAN TRADE SOURCES. ON THE IMPORT SIDE FIGURES ARE ESTIMATES IN CERTAIN CASES BASED ON APRIL-DECEMBER 1976 IMPORT DATA. WHILE RECENT TRADE DATA RELEASED BY THE GOI INDICATE A SURPLUS OF DOLS80 MILLION WE HAVE ADJUSTED THESE FIGURES FOR UNDER REPORTING OF IMPORTS ON GOVERNMENT ACCOUNT, PARTICULARLY FOOD, FERTILIZER AND POL AND THEREFORE BELIEVE THE TRADE ACCOUNT WILL SHOW A SMALL DEFICIT OF DOLS50 MILLION (SEE REFTEL).

3. PROJECTIONS FOR 1977-78

A. TRADE DATA - EXPORTS ARE PROJECTED TO INCREASE BY ABOUT 17

PERCENT OVER 1976-77 WITH SIGNIFICANT INCREASES IN TEA (DUE TO HIGHER INTERNATIONAL PRICES), ENGINEERING GOODS, COTTON TEXTILES, LEATHER AND IRON AND STEEL. OTHER EXPORTS ALSO EXPECTED TO INCREASE INCLUDE COFFEE, FISH AND HANDICRAFTS. NON-FOOD IMPORTS IN 1977-78 ARE PROJECTED TO INCREASE BY ABOUT 43 PERCENT OVER THE PREVIOUS YEAR. THIS IS DUE LARGELY TO THE LIBERALIZED IMPORT POLICY FOR MACHINERY AND CAPITAL GOODS. INCREASED ALLOCATIONS FOR COTTON AND EDIBLE OILS ARE PRIMARILY TO MEET THE DOMESTIC SHORTAGE OF THESE COMMODITIES. INCREASE IN POL IMPORT BILL IS DUE TO (A) INCREASE IN CRUDE OIL PRICES EFFECTIVE JANUARY 1, 1977; AND (B) HIGHER PETROLEUM PRODUCTS IMPORTS ESTIMATED AT ABOUT 3 MILLION METRIC TONS (MT) IN 1977-78, COMPARED TO 2.3 MILLION LAST FISCAL YEAR. CRUDE OIL IMPORTS ARE ASSUMED AT 14 MILLION MT, THE SAME AS IN 1976-77. IN VIEW OF THE PRESENT 20 MILLION FOOD BUFFER STOCKS, WE DO NOT ANTICIPATE ANY FOOD IMPORTS THROUGH COMMERCIAL CHANNELS DURING THE CURRENT FISCAL YEAR. HOWEVER, THE ALLOCATION UNCLASSIFIED

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OF DOLLARS 65 MILLION IS PRIMARILY FOR ABOUT 500,000 METRIC TONS OF FOOD WHICH INDIA MAY RECEIVE AS GRANTS.

B. GROSS AID IS ASSUMED AT DOLLARS 2 BILLION, APPROXIMATELY THE SAME AS IN THE PREVIOUS YEAR. DEBT SERVICE IS ESTIMATED AT DOLLARS 860 MILLION.

C. INFLOW OF REMITTANCES FROM INDIANS ABROAD ARE ESTIMATED AT ABOUT DOLLARS 1,400 MILLION DURING THE YEAR COMPARED TO DOLLARS 1,800 MILLION IN 1976-77. THIS DECLINE IN THE INFLOW OF REMITTANCES IS DUE IN PART TO THE RELAXATION IN ENFORCEMENT LAWS RESULTING FROM THE LIFTING OF EMERGENCY IN MARCH 1977.

D. FOREIGN EXCHANGE RESERVES (EQUIVALENT TO ROUGHLY EIGHT MONTHS IMPORTS IN 1976-77) MAKE INDIA'S POSITION EXTREMELY COMFORTABLE, AND WE BELIEVE THAT INDIA MAY COMPLETELY REPAY THE OUTSTANDING AMOUNT OF DOLLARS 471 MILLION TO IMF DURING THIS YEAR. DESPITE THIS REPAYMENT, INDIA'S RESERVES ARE ESTIMATED TO INCREASE TO DOLLARS 4,600 MILLION BY THE END OF THE CURRENT FISCAL YEAR. GOHEEN

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Message Attributes

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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Review Media Identifier:
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